

**Cape Fear Public Transportation Authority
(A Component Unit of the City of Wilmington)**

Financial and Compliance Reports
Year Ended June 30, 2019

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FINANCIAL SECTION

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RSM US LLP

Independent Auditor's Report

To the Honorable Chairman and
Members of the Board of Directors
Cape Fear Public Transportation Authority
Wilmington, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of Cape Fear Public Transportation Authority, a component unit of the City of Wilmington, North Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Cape Fear Public Transportation Authority as of June 30, 2019, and the respective changes in their financial position and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, on pages 3-7, and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions, on pages 24 and 25, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Authority. The supplementary schedules on pages 26-28 as listed in the table of contents, and the Schedule of Expenditures of Federal and State Awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act, in the internal control and compliance section of the contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary schedules and the schedule of expenditures of federal and state awards (collectively, the Schedules) are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2019, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

RSM US LLP

October 31, 2019

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**MANAGEMENT'S DISCUSSION
AND ANALYSIS
(unaudited)**

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On behalf of the Authority and its Board of Directors, management of the Cape Fear Public Transportation Authority and the related Making Waves Foundation (collectively, the Authority) offers the Authority's financial statements and the following overview and analysis of the activities of the Authority for the fiscal year which ended June 30, 2019.

Authority Profile

The Cape Fear Public Transportation Authority (Wave Transit) was created in 2004 by joint resolution of the City of Wilmington and New Hanover County to meet the transit needs of the region. The Authority is an independent transit Authority created under authorizing legislation from NCGS 160A Article 25. It is overseen by an eleven member volunteer Board of Directors appointed by the Wilmington City Council and New Hanover County Board of Commissioners. Elected officials from the City of Wilmington and New Hanover County serve as Directors. The Board is governed by an Executive Committee comprised of a Chairman, Vice Chairman and Secretary elected by Authority members. Management and operation of the Authority is under the direction of an appointed Executive Director who serves at the pleasure of the Board.

Federal and state public transportation funding is appropriated to urbanized areas, typically by formula. The Authority was named designated recipient of FTA funding appropriated to the region by Governor Mike Easley in 2005. The Authority's established service area includes the entire US census defined urbanized area including all of New Hanover County, and portions of Northern Brunswick County and Southern Pender County. Fixed route public transportation is provided to the majority of the service area. Other specialized public transportation initiatives are provided by the Authority throughout the Southeastern North Carolina region.

In 2015, the planning boundary of the Wilmington Urban Area Metropolitan Planning Organization (WMPO) was declared a Transportation Management Area (TMA) by the US Census Bureau. This designation was the result of the region exceeding 200,000 in population following the 2010 decennial census. The change resulted in the Authority becoming a Direct Recipient of federal funding.

Financial Highlights

- The assets and deferred outflows of the Authority exceeded its liabilities and deferred inflows at the close of the fiscal year by \$27,382,421 (net position).
- The Authority's total net position increased by \$3,253,508 during the fiscal year.
- The Authority had an operating loss of \$8,204,935.
- Capital asset additions, including construction in process, totaled \$5,340,289 during the fiscal year.
- The Authority is statutorily prohibited from incurring debt and therefore had no debt outstanding as of June 30, 2019.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Cape Fear Public Transportation Authority's basic financial statements. The financial statements of the Authority consist of five components. They are as follows:

- Management's Discussion and Analysis
- Basic Financial Statements
- Notes to the Basic Financial Statements
- Required Supplementary Information
- Supplementary Financial Information

The Basic Financial Statements are prepared using the accrual basis of accounting. They consist of three statements, as required for entities engaged only in business-type activities.

The first statement is the statement of net position whereby net position is determined by the difference between assets plus any deferred outflows less liabilities and any deferred inflows. Assets and liabilities are classified between current and long-term. This statement provides a summary of the Authority's investment in assets and obligations to creditors. Liquidity and financial flexibility can be evaluated using the information contained in this statement.

The next statement is the statement of revenue, expenses and changes in net position. This statement is used in evaluating whether the Authority has recovered all of its costs through revenues. Its information is used in determining credit worthiness.

The final required statement is the statement of cash flows. This statement reports cash inflows and outflows in the following categories: operating, investing, capital and related financing and noncapital financing activities. Based on this data, the user can determine the sources of cash, the uses of cash, and the change in cash.

The notes to the basic financial statements provide more detailed information and should be read in conjunction with the statements. After the notes, required supplementary information and supplementary financial information is provided to show additional details about the Authority's pension liability and budgetary information.

Financial Analysis

Net position may serve over time as one useful indicator of a government's fiscal health. Net investment in capital assets (net of related liabilities) totaled \$27,165,607, which comprises vehicles, equipment, buildings, other improvements, construction in progress, and land. This is the main concentration of the Authority's net position as of June 30, 2019. The Authority also has net position restricted for the purchase of buses in addition to unrestricted net position, which has no restrictions on its use.

Cape Fear Public Transportation Authority Condensed Statement of Net Position

Figure 1

	June 30,	
	2019	2018
Current assets	\$ 3,143,262	\$ 1,014,251
Capital assets, net	27,165,607	23,525,256
Total assets	30,308,869	24,539,507
Deferred Outflows of Resources	305,884	187,790
Current liabilities	2,845,703	350,889
Net pension liability	377,204	230,992
Total liabilities	3,222,907	581,881
Deferred Inflows of Resources	9,425	16,503
Net position:		
Invested in capital assets	27,165,607	23,525,256
Restricted	135,634	159,928
Unrestricted	81,180	443,729
Total net position	\$ 27,382,421	\$ 24,128,913

A comparison of the statement of net position to the prior year shows an increase in net position by \$3,253,508 resulting primarily from the addition of two new 35' CNG Gillig buses and amenity upgrades paid for with capital grants. Total assets increased by \$5,769,362 and liabilities increased by \$2,641,026 from the prior year.

The statement of revenue, expenses and changes in net position for the current year shows that total operating expenses exceeded operating revenue and non-operating revenue (expense) by \$1,821,234. The Authority earned \$2,228,718 in transportation service fares and fees. Capital contributions, consisting of federal, state and local grants, totaled \$5,074,742 for the year ended June 30, 2019. Operating grants and contributions totaled \$6,383,701.

During fiscal year 2018-2019, the Authority continued several key transit initiatives. These projects include the Wilmington Multimodal Transportation Center Downtown Transit Center and securing funding for seven compressed natural gas buses, two CNG trolley buses for the Port City Trolley program, four CNG UNCW Shuttle buses, and five paratransit vehicles. These investments, undertaken without incurring debt, will serve the community for decades and underscores the Authority's commitment to its mission and goals. The projects also aggressively leveraged state and federal funding keeping the local tax burden to a minimum. Planning for these investments, including revenue acquisition, was the effort of years of work undertaken by the Authority. These investments will reduce maintenance and fuel costs for years to come. Success of these initiatives will be realized through reduced operating costs which will reduce taxpayer subsidies well into the future.

Condensed Statement of Revenue, Expenses and Change in Net Position

Figure 2

	Year Ended June 30,	
	2019	2018
Operating revenue	\$ 2,228,718	\$ 2,315,781
Operating expenses	10,433,653	9,951,041
Operating loss	(8,204,935)	(7,635,260)
 Nonoperating revenue	 6,383,701	 6,213,164
Loss before capital contributions	(1,821,234)	(1,422,096)
Capital contributions	5,074,742	1,936,963
Increase in net position	3,253,508	514,867
 Net position, previously reported	 24,128,913	 23,614,046
Net position, ending	\$ 27,382,421	\$ 24,128,913

For the year ending June 30, 2019, the increase in net position is primarily due the acquisition of two 35' CNG Gillig buses paid for with capital grants. The Authority had an operating loss of \$8,204,935 from its operations offset by nonoperating revenue of \$6,383,701 and capital contributions of \$5,074,742. The Authority received an operating subsidy of \$1,404,155 from its primary government, the City of Wilmington, North Carolina. The remainder of the Authority's operating and capital grants were received primarily from the Federal Transit Administration, North Carolina Department of Transportation and New Hanover County. The Authority's operating revenue decreased by \$87,063 from the prior year due to lower fuel prices and lower unemployment resulting in lower ridership and other minor factors.

Capital Assets. The undepreciated cost of the Authority's capital assets consisted of the following as of June 30, 2019.

	June 30,	
	2019	2018
Capital assets		
Land	\$ 4,087,405	\$ 4,087,405
Buildings and improvements	15,883,947	15,883,947
Buses	12,527,421	10,453,025
Other vehicles	1,645,676	1,428,293
Furniture, fixtures, machinery and equipment	2,735,554	2,651,068
Construction in progress	3,307,196	1,160,041
Total	\$ 40,187,199	\$ 35,663,779

See Note 4 in the notes to basic financial statements for additional information.

Debt

The Authority is statutorily prohibited from incurring debt from any sources other than the City of Wilmington and/or New Hanover County. The Authority does not have any debt to either party. Three multimillion-dollar facility projects and over four million dollars in rolling stock over the past six years have been financed without borrowing. The Cape Fear Public Transportation Authority had no debt outstanding as of June 30, 2019.

Planning

The Authority's financial planning is led by the Department of Finance & Administration with oversight provided by the Finance and Budget Committee and the Executive Director. The committee is comprised of members of the Board of Directors and the Authority's professional finance staff. The Authority maintains a five year *Capital Improvement Program* (CIP), an annual operating budget and other financial planning documents which are updated regularly.

Long-range service planning efforts are directed by the Wilmington Metropolitan Planning Organization (WMPO). Short range service planning is under the direction of the Authority's Operations Department. In FY 2017, the Authority initiated a *Short Range Transit Plan (SRTP)* based on adopted priorities from the WMPO *Transportation 2040 Plan*. The twelve-month SRTP focused on data collection and analysis which resulted in a plan to guide the region's transit growth over the next five years. A diverse steering committee of stakeholders was assembled to help guide development of this important plan. On March 22, 2018 the lead consultant for the SRTP, Nelson Nygaard presented the final report to the board for consideration. After further review and consideration by staff the final plan was presented to the Authority Board in early FY 2019. The SRTP was unanimously adopted by the board and implementation of the recommendations in conjunction with the opening of the Wilmington Multimodal Transportation Center Downtown Transit Center in 2019 is underway.

Economic Factors

The Authority serves customers in the census defined Wilmington, NC urbanized area, which includes all of New Hanover County and portions of northern Brunswick County and southern Pender County. New Hanover County currently has a population of 232,274 people. Of that amount, 122,607 reside in the City of Wilmington, which is the Authority's primary government. The June 2019 unemployment rate in New Hanover County was 4.1%, which was slightly higher than the US rate of 3.7% and slightly lower than the State of North Carolina of 4.2%. The strong local economy has reduced the transit dependent population which has negatively impacted ridership. Long-term low fuel prices, combined with subprime auto loan rates, have also increased private automobile ownership which has reduced transit ridership. These trends have been experienced nationwide and Wave Transit ridership decreases are within national averages.

The Authority is impacted by a number of different economic factors and takes these in consideration when considering budgets. Potential budget reductions at the state level, as well as potential reductions in federal transit funding, are closely monitored as well as significant trends in fuel costs.

The Board and management are prepared to respond to reductions in revenue or increased costs accordingly, to maintain the service levels within available subsidies. It is important to note that the Authority was created and continues to operate without a net position that is primarily restricted. This makes response to sudden revenue and expense challenges difficult.

Vulnerabilities

The fragility of the Cape Fear Public Transportation was on full display in fiscal year 2019. In September Hurricane Florence made landfall near Wrightsville Beach, which is in the heart of the region, as a category one hurricane. Prior to landfall the Authority assisted emergency managers with evacuations of over 200 of the region's most vulnerable residents. Post hurricane services provided by the Authority included non-emergency medical transportation and shelter transportation services. These efforts were critical to both safety and recovery efforts. While reimbursement for hurricane related activities was promptly remitted by Federal Transit and New Hanover County, revenue losses from an extended period when service was not provided, were impactful. Wave Transit was able to modify expenses to finish the budget year below the authorized amount but revenue impacts required allocation of net position.

In December 2018, just as the Authority was recovering from Hurricane Florence, the federal government began what became the longest shutdown in the nation's history. The shutdown prevented the Authority from accessing appropriated FTA funding. Wave Transit was able to stay solvent for the first three months of the shutdown by utilizing funding from non-federal sources. On February 28, 2019 the Authority unanimously resolved to begin shutdown efforts due to lack of reimbursement of funding from FTA. During shutdown planning and implementation, the federal government shutdown was resolved and the Authority was able to provide its scheduled service without interruption but with significant anxiety.

Both of these instances demonstrate how decisions well beyond the control of the Authority can significantly impact the stability the community has come to rely on. A source of dedicated funding and a strong net position were determined to be the best ways forward in reaction to these types of disruptions. This led the Authority to unanimously support a resolution requesting New Hanover County implement a \$7.00 vehicle registration fee in February 2019 as a source of funding for the Authority. There was and remains a strong consensus that this type of dedicated funding is critical to the fiscal health of the Authority. Unfortunately, the Authority closed fiscal year 2019 without action from the county in response to the request.

Economic Impact

The Authority's programs and services are significant economic generators in the region. Supporting local business, creating jobs, and providing public transportation to thousands of passengers keep the local economic engine in motion. Unfortunately, the lack of a dedicated local funding source will impair the Authority's ability to provide critical public transportation improvements in the future. The Authority will continue its efforts to secure dedicated local transit funding under current state statutes to ensure continued service to the rapidly growing region.

Strong growth in the region has been met with expansion of infrastructure and quality of life initiatives by local governments. The Authority has been able to significantly increase its facility and rolling stock infrastructure to keep pace with the growth. Unfortunately, Wave Transit has been challenged to increase its service offerings to provide public transportation to new and expanded growth nodes. Significant study has demonstrated that service to many unincorporated areas of New Hanover County would increase access to employment, health access, and educational opportunities to transit dependent passengers, thereby strengthening economic generators.

Requests for Information

This report is designed to provide an overview of the Authority's finances. Questions concerning any of the information found in this report or requests for additional information should be directed to the Executive Director, Cape Fear Public Transportation Authority, Forden Station, 505 Cando Street, Wilmington, NC, 28405.

Albert Eby, Executive Director

Cape Fear Public Transportation Authority

Wilmington, North Carolina

**BASIC
FINANCIAL STATEMENTS**

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Cape Fear Public Transportation Authority

Statement of Net Position

June 30, 2019

	Total
Assets	
Current assets:	
Cash and cash equivalents	\$ 140,958
Accounts receivable	4,482
Due from other governments	2,733,368
Inventory of material and supplies	174,508
Prepaid expenses	89,946
Total current assets	<u>3,143,262</u>
Noncurrent assets:	
Capital assets	<u>27,165,607</u>
Total assets	<u>30,308,869</u>
Deferred Outflows of Resources	<u>305,884</u>
Liabilities	
Current liabilities:	
Accounts payable	2,460,130
Accrued payroll and compensated absences	211,816
Accrued expenses	69,037
Construction retainage payable	104,720
Total current liabilities	<u>2,845,703</u>
Long-term liabilities:	
Net pension liability	<u>377,204</u>
Total liabilities	<u>3,222,907</u>
Deferred Inflows of Resources	<u>9,425</u>
Net position:	
Net investment in capital assets	27,165,607
Restricted for the purchase of buses	135,634
Unrestricted	81,180
Total net position	<u>\$ 27,382,421</u>

See notes to basic financial statements.

Cape Fear Public Transportation Authority

**Statement of Revenue, Expenses and Changes in Net Position
Year Ended June 30, 2019**

	Total
Operating revenue:	
Charges for services	\$ 2,228,718
Operating expenses:	
Labor	4,365,666
Fringe benefits	1,333,626
Fuel and lubricants	610,206
Purchased services	647,437
Repairs and maintenance	490,400
Insurance	806,190
Advertising	26,289
Tires and tubes	88,757
Utilities	149,866
Materials and supplies	44,622
Office supplies	8,948
Other operating expenses	161,708
Depreciation	1,699,938
Total operating expenses	<u>10,433,653</u>
Operating loss	<u>(8,204,935)</u>
Nonoperating revenue:	
Federal grants	3,569,493
State grants	755,875
Operating subsidy City of Wilmington, primary government	1,404,155
Operating subsidy from New Hanover County	321,229
Operating subsidy from Other Government	107,417
Miscellaneous income	181,608
Donations	10,960
Gain on disposition of capital assets	32,964
Total nonoperating revenue	<u>6,383,701</u>
Loss before capital contributions	<u>(1,821,234)</u>
Capital contributions:	
Federal grants	4,207,725
State grants	648,341
Insurance proceeds	33,967
Primary government	184,709
Total capital contributions	<u>5,074,742</u>
Increase in net position	3,253,508
Net position, beginning	<u>24,128,913</u>
Net position, ending	<u>\$ 27,382,421</u>

See notes to basic financial statements.

Cape Fear Public Transportation Authority

Statement of Cash Flows Year Ended June 30, 2019

	Total
Cash flows from operating activities:	
Cash received from customers and users	\$ 2,267,841
Cash payments to suppliers for goods and services	(758,353)
Cash payments to or on behalf of employees	(5,663,729)
Net cash used in operating activities	(4,154,241)
Cash flows From noncapital financing activities:	
Operating grants	4,870,406
Operating subsidy from primary government	1,404,155
Operating subsidies from other governments	428,646
Miscellaneous	181,608
Donations	10,960
Net cash provided by noncapital financing activities	6,895,775
Cash flows from capital and related financing activities:	
Proceeds from sale of capital assets	32,964
Acquisition of capital assets	(5,235,570)
Capital contributions	2,528,751
Net cash used in capital and related financing activities	(2,673,855)
Net increase in cash and cash equivalents	67,679
Cash and cash equivalents:	
Beginning	73,279
Ending	\$ 140,958
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (8,204,935)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	1,699,938
Changes in assets and liabilities:	
Accounts receivable	39,123
Inventory	(9,557)
Prepays	(89,946)
Deferred outflows of resources - pensions	(118,094)
Net pension liability	146,212
Deferred inflows of resources - pensions	(7,078)
Payables	2,357,873
Compensated absences payable	14,523
Accrued expenses	17,700
Net cash used in operating activities	\$ (4,154,241)
Supplemental Schedule of Noncash Investing Activities:	
Capital assets acquired with payables	\$ 104,719

See notes to basic financial statements.

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**NOTES TO BASIC
FINANCIAL STATEMENTS**

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Cape Fear Public Transportation Authority

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies

The accounting policies of Cape Fear Public Transportation Authority (the Authority) conform to generally accepted accounting principles (GAAP) as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant accounting policies.

Reporting Entity:

The Authority, operating as Wave Transit, is a public authority created in 2004 by a concurrent resolution of New Hanover County (County) and the City of Wilmington (City). The interlocal agreement adopted by the County and City provides for the operation of transportation facilities and transportation services throughout the City and up to 30 miles outside its corporate limits and effectively merged the transportation facilities and services previously provided by the County and City. The interlocal agreement was amended on March 2, 2015, at which time the term of the agreement was changed to be effective for 20 years, with one ten-year renewal term after the initial term upon approval of the County and the City. Additionally, the agreement requires the Authority to maintain a minimal net position of 8% of the operating budget by the fiscal year ended June 30, 2019. If the Authority uses money from the net position such that the net position falls below 8%, the Authority is to submit a plan to the City and County to replenish the net position within 24 months.

The Authority is governed by an 11-member board. The Authority Board consist of five members appointed by the County, five members appointed by the City, and one member appointed jointly by the County and City from a human service agency served by the public transportation services.

Each proposed annual budget shall be submitted to the County and City for approval by the County Commissioners and City Council. The County and City shall provide annual funding to the Authority as their budgets permit. Any debt necessary for the maintenance, improvement or expansion of the Authority shall be incurred by the County or City for the benefit of the Authority. The Authority shall establish and revise, from time-to-time, a schedule of rates, fees and charges for the use of the services of the Authority. An interlocal agreement between the City and the Authority, effective July 1, 2005, provides that the City will: (a) make available to the Authority on July 1 of each fiscal year the annual appropriation approved in the adopted City budget and (b) allow the Authority access to additional necessary operating funds that exceed the City's annual operating assistance where the Authority has not received awarded federal and/or State operating funds. The agreement may be terminated by the mutual written consent of the parties or upon the lack of an award or termination of federal and/or State funding to the Authority. For financial reporting purposes, in conformity with GASB Codification Section 2100, the Authority is a component unit of the City and is included as such in the City's comprehensive annual financial report.

A blended component unit is a separate legal entity whose operations are so intertwined with Cape Fear Public Transportation Authority that it is, in substance, the same as the Authority. Making Waves Foundation (the Foundation), a North Carolina nonprofit corporation, is a blended component unit of the Authority as the Authority elects all of the board members of the Foundation's board of directors. The Foundation provides transportation fare subsidies for the Authority system to nonprofit agencies who provide assistance to members of the community in need and individuals who otherwise would not have access to transportation. These subsidies are returned to the CFPTA system through fares. The Foundation is considered to almost exclusively benefit the Authority. The balances and transactions of the Foundation are blended with those of the Authority in the accompanying financial statements. The Foundation does not issue separate financial statements.

Cape Fear Public Transportation Authority

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Basis of Presentation:

Enterprise funds may be used to report any activity for which a fee is charged to external users for goods or services. Activities are *required* to be reported as enterprise funds if any one of the following criteria is met.

- a. The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity. Debt that is secured by a pledge of net revenues from fees and charges and the full faith and credit of a related primary government or component unit—even if that government is not expected to make any payments—is not payable solely from fees and charges of the activity. (Some debt may be secured, in part, by a portion of its own proceeds but should be considered as payable “solely” from the revenues of the activity).
- b. Laws or regulations require that the activities’ costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues.
- c. The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

Measurement Focus and Basis of Accounting:

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Enterprise funds are accounted for on the economic resources measurement focus and the accrual basis. Under the accrual basis of accounting, revenue is recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Authority gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants and donations. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund’s principal ongoing operations. The principal operating revenues of the Authority are charges for transportation services. The principal operating expenses for the Authority include depreciation of capital assets, salaries and fringe benefits, maintenance and repairs and other operating expense. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Under the terms of grant and loan agreements, the Authority funds certain operating and capital expenditures by a combination of specific cost-reimbursement grants, categorical formula grants, and operating revenues. Thus, when operating and capital expenditures are incurred, there are both restricted and unrestricted net position available to finance these expenditures. It is the Authority’s policy to first apply cost-reimbursement grant resources to fund these expenditures, followed by categorical formula grants and then by operating revenues.

Cape Fear Public Transportation Authority

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Budgets:

Budgets are adopted utilizing the modified accrual basis of accounting as required by state statute. An annual budget ordinance is adopted for the operating fund (subfund). All annual appropriations lapse at fiscal year-end. A project budget ordinance is adopted for the capital project fund (subfund). Project appropriations lapse at the completion of the project.

Expenditures may not legally exceed appropriations at the fund level for the operating fund and at the fund level for the capital project fund. Any appropriations which increase the total amount of appropriations for a fund must be approved by the Board of Directors, the City Council and County Commissioners. The budget may be amended as necessary by the governing board. A budget calendar is included in the North Carolina General Statutes which prescribes the last day on which certain steps of the budget procedure are to be performed. The following schedule lists the tasks to be performed and the date by which each is required to be completed.

April 30	Each department head will transmit to the budget officer the budget requests as estimates for their department for the budget year.
June 1	The budget and the budget message shall be submitted to the governing board. The public hearing on the budget should be scheduled at this time.
July 1	The budget ordinance shall be adopted by the governing board.

Cash and Cash Equivalents:

The Authority considers all highly-liquid investments (including any restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Deposits and Investments:

All deposits of the Authority are made in board-designated official depositories and are collateralized as required by State statute [G.S. 159-31]. Official depositories may be established with any bank or savings and loan association whose principal office is located in North Carolina. Also, the Authority may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts and certificates of deposits.

State statute [G.S. 159-30(c)] authorizes the Authority to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT). The securities of the NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price.

Accounts Receivable and Due From Other Governments:

Accounts receivable and due from other governments include grant receivables for which eligibility requirements have been satisfied. Management evaluates receivables by identification of troubled accounts and applying historical experience. Management has determined that all receivables are collectible and no allowance for doubtful accounts is required.

Cape Fear Public Transportation Authority

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Inventory of Material and Supplies:

Inventory is comprised of materials (principally maintenance parts) and supplies that are not sold and are valued cost.

Capital Assets, Including Construction in Progress:

Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and estimated useful life in excess of two years. All purchased capital assets are valued at original cost at the time of acquisition. Donated capital assets are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs which do not add to the value of the asset or materially extend assets' lives are not capitalized. The Authority's capital assets include a transfer facility, garage and maintenance facilities, buses, other vehicles, certain equipment, land and construction in progress.

Depreciation is charged to operations using a straight-line method based on the following estimated useful lives:

Asset Class	Estimated Useful Lives
Building and improvements	20-40 years
Buses	10-12 years
Other vehicles	5-7 years
Furniture, fixtures, machinery and equipment	5-10 years

The Authority may consider capital assets impaired if both: (a) the decline in service utility of the capital asset is large in magnitude, and (b) the event or change in circumstances is outside the normal life cycle of the capital asset. Impaired assets will be appropriately reduced in value or discarded if idle. The Authority owns no significant assets that would be considered impaired.

Deferred Outflows/Inflows of Resources:

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditures until then. The Authority has two items that met this criterion, contributions made to the pension plan in the 2019 fiscal year and other pension related deferrals. In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Authority has one item that met the criterion for this category – deferrals of pension expense.

Compensated Absences:

As more fully described in Note 9, the Authority contracts with a management company to provide management services, including the furnishing of certain employees to operate and maintain the equipment. As of June 30, 2019, the Authority recorded a liability of \$120,818 for unused vacation benefits for employees of the management company and the Authority. The Authority's leave policy provides for the accumulation during the year of up to 200 hours earned vacation leave for all employees, with carryover into the next calendar year limited to 80 vacation hours and 60 compensated absence hours. Vacation leave is fully vested when earned.

Cape Fear Public Transportation Authority

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

The Authority has adopted a last-in first-out method of accumulating compensation time. The portion of accumulated leave time which is expected to be liquidated after the next fiscal year-end is not considered to be material and, therefore, no provision for noncurrent compensated absences has been made in the basic financial statements.

The Authority's sick leave policy allows for an accumulation of up to a maximum of 120 days for employees of the management company and indefinitely for Authority employees. Sick leave does not vest. The Authority has no obligation for accumulated sick leave until it is actually taken; therefore, no accrual for sick leave has been made. The management company provides other benefits to its employees that are reimbursed by agreement.

Net Position:

Net position consists of the following:

Net investment in capital assets – This component of net position reflects amounts expended for capital assets, net of related debt, if any.

Restricted for buses – This component of net position consists of a portion of net position that is restricted by revenue source for future purchase of buses.

Unrestricted net position – This component of net position consists of net positions that do not meet the definition of restricted or invested in capital assets.

Pensions:

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Government Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Authority's employer contributions are recognized when due and the Authority has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

Use of Estimates:

The preparation of basic financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosures of contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The primary accounting estimates used by the Authority's management having financial significance is the estimation of lives of the capital assets, valuation of receivables for collectability, and the net pension liability.

Cape Fear Public Transportation Authority

Notes to Basic Financial Statements

Note 2. Cash and Cash Equivalents

At June 30, 2019, cash and cash equivalents is comprised of the following:

Deposits:

All the deposits of North Carolina local governments are required to be either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Authority's agents in the Authority's name. Under the Pooling Method, which is a statewide collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Authority, these deposits are considered to be held by the Authority's agents in the Authority's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Authority or the escrow agents. Because of the inability to measure the exact amounts of collateral pledged for the Authority under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Authority has no formal policy regarding the custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Authority complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2019, the Authority's deposits had a carrying amount of \$132,856 and a bank balance of \$196,347. Federal depository insurance guarantees up to \$250,000 of the bank balance and any remainder is covered by the collateral held under the pooling method. At times during the year, the bank balance exceeded the \$250,000 of federally insured coverage.

Cash on Hand:

The Authority's cash on hand at June 30, 2019, consisted of various petty cash funds totaling \$1,500.

Note 3. Due From Other Governments

The amount due from other governments as of June 30, 2019, consists of the following:

State grant revenues	\$ 212,280
Federal grant revenues	2,345,991
Local government sales and use taxes	82,416
New Hanover County	90,143
Other	2,538
	<u>\$ 2,733,368</u>

Cape Fear Public Transportation Authority

Notes to Basic Financial Statements

Note 4. Capital Assets

Capital asset activity for the year ended June 30, 2019, was as follows:

	Balance June 30, 2018	Additions	Deletions	Transfers	Balance June 30, 2019
Capital assets not being depreciated:					
Land	\$ 4,087,405	\$ -	\$ -	\$ -	\$ 4,087,405
Construction in progress	1,160,041	2,157,806	-	(10,651)	3,307,196
	<u>5,247,446</u>	<u>2,157,806</u>	<u>-</u>	<u>(10,651)</u>	<u>7,394,601</u>
Capital assets being depreciated:					
Buildings and improvements	15,883,947	-	-	-	15,883,947
Buses	10,453,025	2,425,446	(351,050)	-	12,527,421
Other vehicles	1,428,293	683,202	(465,819)	-	1,645,676
Furniture, fixtures, machinery and equipment	2,651,068	73,835	-	10,651	2,735,554
Total capital assets being depreciated	<u>30,416,333</u>	<u>3,182,483</u>	<u>(816,869)</u>	<u>10,651</u>	<u>32,792,598</u>
Less accumulated depreciation for:					
Buildings and improvements	(2,511,023)	(661,768)	-	-	(3,172,791)
Buses	(6,353,808)	(856,103)	351,050	-	(6,858,861)
Other vehicles	(1,514,049)	(23,879)	465,819	-	(1,072,109)
Furniture, fixtures, machinery and equipment	(1,759,643)	(158,188)	-	-	(1,917,831)
Total accumulated depreciation	<u>(12,138,523)</u>	<u>(1,699,938)</u>	<u>816,869</u>	<u>-</u>	<u>(13,021,592)</u>
Total capital assets being depreciated, net	<u>18,277,810</u>				<u>19,771,006</u>
Capital assets, net	<u>\$ 23,525,256</u>				<u>\$ 27,165,607</u>

Note 5. Retirement Plan

North Carolina Local Government Employees' Retirement System

Plan Description. The Authority is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing, multiple-employer, defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

Cape Fear Public Transportation Authority

Notes to Basic Financial Statements

Note 5. Retirement Plan (Continued)

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service. Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The Authority's employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Authority's contractually required contribution rate for the year ended June 30, 2019, was 8.95% of compensation, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Authority were \$85,817 for the year ended June 30, 2019.

Refund of Contributions. Authority employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60-day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2019, the Authority reported a net pension liability of \$377,204 for its proportionate share of the LGERS net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018, utilizing update procedures incorporating the actuarial assumptions. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2018, the Authority's proportion was approximately 0.01590%, which was an increase of approximately 0.001% from its proportion measured as of June 30, 2017.

Cape Fear Public Transportation Authority

Notes to Basic Financial Statements

Note 5. Retirement Plan (Continued)

For the year ended June 30, 2019, the Authority recognized pension expense of \$106,857. At June 30, 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 58,192	\$ 1,953
Changes in assumptions	100,095	-
Net difference between projected and actual earnings on pension plan investments	51,778	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	10,002	7,472
Contributions subsequent to the measurement date	85,817	-
	<u>\$ 305,884</u>	<u>\$ 9,425</u>

\$85,817 reported as deferred outflows of resources related to pensions, resulting from Authority's contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the Authority's year ending June 30, 2020. Other amounts reported as deferred outflows (inflows) of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2019	\$ 102,018
2020	65,536
2021	11,247
2022	31,841
	<u>\$ 210,642</u>

Actuarial Assumptions – The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e., general, law enforcement officer) and health status (i.e., disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2017, valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

Cape Fear Public Transportation Authority

Notes to Basic Financial Statements

Note 5. Retirement Plan (Continued)

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2019, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
	100%	

The information above is based on 30-year expectations developed with the consulting actuary for the 2017 asset, liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount rate – The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Authority's proportionate share of the net pension asset to changes in the discount rate. The following presents the Authority's proportionate share of the net pension asset calculated using the discount rate of 7.00%, as well as what the Authority's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Authority's proportionate share of the net pension liability (asset)	\$ 906,073	\$ 377,202	\$ (64,730)

Cape Fear Public Transportation Authority

Notes to Basic Financial Statements

Note 5. Retirement Plan (Continued)

Pension plan fiduciary net position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued CAFR for the State of North Carolina.

Note 6. Major Customers

The Authority’s operating revenue consists of farebox and contract revenues. Transactions with various governmental agencies accounted for the following revenues and related accounts receivable at June 30, 2019:

Customer	Revenues	Percentage of Operating Revenues	Amounts Receivable
University of North Carolina at Wilmington	\$ 704,658	31.6%	\$ -
New Hanover County: Department of Social Services	498,459	22.4%	90,143
	<u>\$ 1,203,117</u>		<u>\$ 90,143</u>

Note 7. Commitments and Contingencies

The Authority receives significant operating and capital grants from the federal and state governments.

Under the terms of federal and state grants, monitoring and periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursements to the grantor agencies. The Authority’s management believes disallowances arising from such audits, if any, will not be significant. No provisions for the refund of grant monies have been made in the accompanying financial statements.

Also, under the terms of federal and state assistance programs, capital assets acquired partially or entirely with federal or state funds have asset disposition restrictions which provide for the disposition of assets and proceeds from the approved sales in accordance with federal or state regulations.

At June 30, 2019, the Authority was a party to various legal disputes and litigation. In the opinion of the Authority’s management, the ultimate effect of these matters will not have a material adverse effect on the Authority’s financial position.

The Authority has entered into a binding agreement with the City of Wilmington, in connection with the transfer of land and a building with the commitment to construct a multi-modal transfer station on the premises. The Authority has budgeted \$4,862,864 for the construction of the facility. As of June 30, 2019, the Authority has expended \$3,219,189 on design and construction activities. No other contractual obligations have been entered into to complete the project at this time.

Cape Fear Public Transportation Authority

Notes to Basic Financial Statements

Note 8. Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Authority obtains workers' compensation coverage up the statutory limits through Hartford Underwriters Ins. Co. up to \$1 million, up to \$2 million in commercial general liability, \$1 million in automobile liability, and up to \$4 million in umbrella liability through Selective Ins. Co. of S.C. The Authority does not currently maintain flood insurance as none of its structural property is located in a flood plain.

In accordance with G.S. 159-29, the Authority's employees that have access to \$100 or more at any given time of the Authority's funds are performance bonded through a commercial surety bond. The Director of Finance is bonded for \$250,000. The remaining employees that have access to funds are bonded under a blanket bond for \$250,000.

Note 9. Management Agreement

The Authority retains a transit management company to provide management and operational services for the transportation system. For the year ended June 30, 2019, those services were provided under a contract with First Transit, Inc. (FTI), who shall employ, furnish and supervise certain personnel necessary for the management and operation of the public transportation system. In addition, the agreement provides for assistance with certain other managerial functions required for the day-to-day operations of the Authority. For the year ended June 30, 2019, the Authority incurred management fees totaling \$365,496, which is included in purchased services. On April 26, 2018, the agreement was extended through June 30, 2020.

Note 10. Pronouncements Issued But Not Yet Effective

The GASB has issued several pronouncements prior to June 30, 2019, that have effective dates that may impact future financial presentations.

Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements of the Authority.

GASB Statement Number 84, *Fiduciary Activities*, will be effective for the Authority beginning with its year ending June 30, 2020

GASB Statement Number 87, *Leases*, will be effective for the Authority beginning with its year ending June 30, 2021

GASB Statement Number 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, will be effective for the Authority beginning with its year ending June 30, 2021

GASB Statement Number 90, *Majority Equity Interests*, will be effective for the Authority beginning with its year ending June 30, 2020

GASB Statement Number 91 *Conduit Debt Obligations*, will be effective for the Authority beginning with its year ending June 30, 2022

Required
Supplementary Financial Information

This section contains additional information required by generally accepted accounting principles.

- Schedule of Proportionate Share of Net Pension Liability (Asset) for Local Government Employees' Retirement System
- Schedule of Contributions to Local Government Employees' Retirement System

**Cape Fear Public Transportation Authority's Proportionate Share of
Net Pension Liability (Asset)
Required Supplementary Information (Unaudited)
Last Five Fiscal Years***

Local Government Employees' Retirement System

	2019	2018	2017	2016	2015
Cape Fear's proportion of net pension liability (asset) (%)	0.015900%	0.015120%	0.017000%	0.015550%	0.014600%
Cape Fear's proportion of the net pension liability (asset)	\$ 377,202	\$ 230,992	\$ 360,797	\$ 69,790	\$ (86,102)
Cape Fear's covered-employee payroll	1,107,320	926,408	909,339	780,693	780,693
Cape Fear's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	34.06%	24.93%	39.68%	8.94%	-11.03%
Plan fiduciary net position as a percentage of the total pension liability**	91.63%	94.18%	91.47%	98.09%	102.64%

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

** This will be the same percentage for all participant employers in the LGERS plan.

*** Information for years prior to 2015 is not available

**Cape Fear Public Transportation Authority Contributions
Required Supplementary Information (Unaudited)
Last Five Fiscal Years**

Local Government Employees' Retirement System

	2019	2018	2017	2016	2015
Contractually required contribution	\$ 85,817	\$ 79,832	\$ 72,816	\$ 63,996	\$ 63,435
Contributions in relation to the contractually required contribution	85,817	79,832	72,816	63,996	63,435
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Cape Fear's covered-employee payroll	\$ 1,107,320	\$ 1,004,359	\$ 926,408	\$ 909,339	\$ 780,693
Contributions as a percentage of covered employee payroll	7.75%	7.95%	7.86%	7.04%	8.13%

* Information for years prior to 2015 is not available

**SUPPLEMENTARY
FINANCIAL INFORMATION**

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Cape Fear Public Transportation Authority

**Combining Statement of Net Position
June 30, 2019**

	Authority	Foundation	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 135,233	\$ 5,725	\$ 140,958
Accounts receivable	4,482	-	4,482
Due from other governments	2,733,368	-	2,733,368
Inventory of material and supplies	174,508	-	174,508
Prepaid expenses	89,946	-	89,946
Total current assets	3,137,537	5,725	3,143,262
Noncurrent assets:			
Capital assets	27,165,607	-	27,165,607
Total assets	30,303,144	5,725	30,308,869
Deferred Outflows of Resources	305,884	-	305,884
Liabilities			
Current liabilities:			
Accounts payable	2,460,130	-	2,460,130
Accrued payroll and compensated absences	211,816	-	211,816
Accrued expenses	69,037	-	69,037
Construction retainage payable	104,720	-	104,720
Total current liabilities	2,845,703	-	2,845,703
Long-term liabilities:			
Net pension liability	377,204	-	377,204
Total liabilities	3,222,907	-	3,222,907
Deferred Inflows of Resources	9,425	-	9,425
Commitments and contingencies			
Net position:			
Net investment in capital assets	27,165,607	-	27,165,607
Restricted for the purchase of buses	135,634	-	135,634
Unrestricted	75,455	5,725	81,180
Total net position	\$ 27,376,696	\$ 5,725	\$ 27,382,421

Cape Fear Public Transportation Authority

**Combining Statement of Revenue, Expenses and Changes in Net Position
Year Ended June 30, 2019**

	Authority	Foundation	Total
Operating revenue:			
Charges for services	\$ 2,228,718	\$ -	\$ 2,228,718
Operating expenses:			
Labor	4,365,666	-	4,365,666
Fringe benefits	1,333,626	-	1,333,626
Fuel and lubricants	610,206	-	610,206
Purchased services	647,437	-	647,437
Repairs and maintenance	490,400	-	490,400
Insurance	806,190	-	806,190
Advertising	26,289	-	26,289
Tires and tubes	88,757	-	88,757
Utilities	149,866	-	149,866
Materials and supplies	44,622	-	44,622
Office supplies	8,948	-	8,948
Other operating expenses	154,348	7,360	161,708
Depreciation	1,699,938	-	1,699,938
Total operating expenses	10,426,293	7,360	10,433,653
Operating loss	(8,197,575)	(7,360)	(8,204,935)
Nonoperating revenue:			
Federal grants	3,569,493	-	3,569,493
State grants	755,875	-	755,875
Operating subsidy City of Wilmington, primary government	1,404,155	-	1,404,155
Operating subsidy from New Hanover County	321,229	-	321,229
Operating subsidy from Other Government	107,417	-	107,417
Miscellaneous income	181,608	-	181,608
Donations	-	10,960	10,960
Gain on disposition of capital assets	32,964	-	32,964
Total nonoperating revenue	6,372,741	10,960	6,383,701
Income (loss) before capital contributions	(1,824,834)	3,600	(1,821,234)
Capital contributions:			
Federal grants	4,207,725	-	4,207,725
State grants	648,341	-	648,341
Insurance Proceeds	33,967	-	33,967
Primary government	184,709	-	184,709
Total capital contributions	5,074,742	-	5,074,742
Increase in net position	3,249,908	3,600	3,253,508
Net position, beginning	24,126,788	2,125	24,128,913
Net position, ending	\$ 27,376,696	\$ 5,725	\$ 27,382,421

Cape Fear Public Transportation Authority

Combining Statement of Cash Flows Year Ended June 30, 2019

	Authority	Foundation	Total
Cash flows from operating activities:			
Cash received from customers and users	\$ 2,267,841	\$ -	\$ 2,267,841
Cash payments to suppliers for goods and services	(750,993)	(7,360)	(758,353)
Cash payments to or on behalf of employees	(5,663,729)	-	(5,663,729)
Net cash used in operating activities	(4,146,881)	(7,360)	(4,154,241)
Cash flows From noncapital financing activities:			
Operating grants	4,870,406	-	4,870,406
Operating subsidy from primary government	1,404,155	-	1,404,155
Operating subsidies from other governments	428,646	-	428,646
Miscellaneous	181,608	-	181,608
Donations	-	10,960	10,960
Net cash provided by noncapital financing activities	6,884,815	10,960	6,895,775
Cash flows from capital and related financing activities:			
Proceeds from sale of capital assets	32,964	-	32,964
Acquisition of capital assets	(5,235,570)	-	(5,235,570)
Capital contributions	2,528,751	-	2,528,751
Net cash used in capital and related financing activities	(2,673,855)	-	(2,673,855)
Net increase in cash and cash equivalents	64,079	3,600	67,679
Cash and cash equivalents:			
Beginning	71,154	2,125	73,279
Ending	<u>\$ 135,233</u>	<u>\$ 5,725</u>	<u>\$ 140,958</u>
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	\$ (8,197,575)	\$ (7,360)	\$ (8,204,935)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation	1,699,938	-	1,699,938
Changes in assets and liabilities:			
Accounts receivable	39,123	-	39,123
Inventory	(9,557)	-	(9,557)
Prepays	(89,946)	-	(89,946)
Increase in deferred outflows of resources - pensions	(118,094)	-	(118,094)
Increase in net pension liability	146,212	-	146,212
Decrease in deferred inflows of resources - pensions	(7,078)	-	(7,078)
Payables	2,357,873	-	2,357,873
Compensated absences payable	14,523	-	14,523
Accrued expenses	17,700	-	17,700
Net cash used in operating activities	\$ (4,146,881)	\$ (7,360)	\$ (4,154,241)

Cape Fear Public Transportation Authority
 Operating Subfund

(Page 1 of 2)

Schedule of Revenue and Expenditures, Budget and Actual,
 Non-GAAP, Modified Accrual Basis
 For the Year Ended June 30, 2019

	Budget	Actual	Variance, Positive (Negative)
Operating revenues:			
Farebox revenues	\$ 1,005,000	\$ 913,426	\$ (91,574)
Government contracted services	1,398,800	1,207,788	(191,012)
Other operating revenues	40,950	107,504	66,554
Total operating revenues	2,444,750	2,228,718	(216,032)
Operating expenditures:			
Labor		4,351,143	
Fringe benefits		1,312,586	
Fuel and lubricants		610,206	
Purchased services		647,437	
Repairs and maintenance		490,400	
Insurance		806,190	
Advertising		26,289	
Tires and tubes		88,757	
Utilities		149,866	
Materials and supplies		44,622	
Office supplies		8,948	
Other operating expenses		154,348	
Total operating expenditures	8,756,176	8,690,792	65,384
Excess of operating expenditures over operating revenues	(6,311,426)	(6,462,074)	(150,648)

(Continued)

Cape Fear Public Transportation Authority
 Operating Subfund

(Page 2 of 2)

Schedule of Revenue and Expenditures, Budget and Actual,
 Non-GAAP, Modified Accrual Basis (Continued)
 For the Year Ended June 30, 2019

	Budget	Actual	Variance, Positive (Negative)
Nonoperating revenues:			
Federal grants	\$ 3,623,255	\$ 3,569,493	\$ (53,762)
State grants	931,190	755,875	(175,315)
Operating subsidy from primary government	1,404,155	1,404,155	-
Operating subsidies from other governments	428,646	428,646	-
Other income	150,001	181,608	31,607
Total nonoperating revenues	6,537,247	6,339,777	(197,470)
Excess of expenditures over revenues	\$ 225,821	(122,297)	\$ (348,118)
Reconciliation: modified accrual basis with full accrual:			
Intergovernmental revenue from Capital Project Fund		5,171,703	
Local Match to Capital		(96,961)	
Depreciation		(1,699,938)	
Gain on disposal of capital assets		32,964	
Increase in compensated absences		(14,523)	
Conversion of retirement contribution to full accrual		(21,040)	
Increase in net position		\$ 3,249,908	

* The Increase in net position includes the Authority, exclusive of its related foundation.

**Cape Fear Public Transportation Authority
Capital Project Subfund**

**Schedule of Revenue and Expenditures, Budget and Actual,
Non-GAAP, Modified Accrual Basis
From Inception and for the Fiscal Year Ended June 30, 2019**

	Total Project Estimates	Prior Years	Actual Current Year	Total to Date
Revenue:				
Restricted intergovernmental:				
Federal grants	\$ 8,487,502	\$ 1,186,873	\$ 4,207,725	\$ 5,394,598
State grants	2,090,781	1,013,960	648,341	1,662,301
Primary government	227,510	134,004	184,709	318,713
Other governments	460,394	38,267	96,961	135,228
Other revenues	-	-	33,967	33,967
Total revenue	11,266,187	2,373,104	5,171,703	7,544,807
Expenditures:				
Section 5307 Capital	8,685,940	1,192,042	4,137,592	5,329,634
Section 5310 Capital	125,241	122,244	3,000	125,244
Section 5317 Capital	838,060	118,743	447,326	566,069
Section 5339 Capital	788,432	115,132	640,781	755,913
Other	828,514	828,513	-	828,513
Total expenditures	11,266,187	2,376,674	5,228,699	7,605,373
 Excess of expenditures over revenues	 \$ -	 \$ (3,570)	 \$ (56,996)	 \$ (60,566)

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**INTERNAL CONTROL
AND
COMPLIANCE SECTION**

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RSM US LLP

**Independent Auditor's Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With Government Auditing Standards**

To the Honorable Chairman and
Members of the Board of Directors
Cape Fear Public Transportation Authority
Wilmington, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Cape Fear Public Transportation Authority (the Authority) as of and for the year ended June 30, 2019, and the related notes to the basic financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 31, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we considered to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RSM US LLP

October 31 2019

**Independent Auditor's Report on Compliance
for the Major Federal Program and Report on Internal Control
Over Compliance**

To the Honorable Chairman and
Members of the Board of Directors
Cape Fear Public Transportation Authority
Wilmington, North Carolina

Report on Compliance for the Major Federal Program

We have audited Cape Fear Public Transportation Authority's (the Authority) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on the Authority's major federal program for the year ended June 30, 2019. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal and state statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Authority's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act (Act). Those standards, the Uniform Guidance and Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on the Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

RSM US LLP

October 31, 2019

**Independent Auditor's Report on
Compliance for the Major State Program and
Report on Internal Control Over Compliance**

To the Honorable Chairman and
Members of the Board of Directors
Cape Fear Public Transportation Authority
Wilmington, North Carolina

Report on Compliance for the Major State Program

We have audited Cape Fear Public Transportation Authority's (the Authority) compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on the Authority's major State program for the year ended June 30, 2019. The Authority's major State program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of state statutes, regulations, and the terms and conditions of its state awards applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Authority's major State program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the applicable sections of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, applicable sections of the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major State program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on the Major State Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major State program for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on the major State program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major State program and to test and report on internal control over compliance in accordance with the applicable sections of the Uniform Guidance and the State Single Audit Implementation Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a State program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a State program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a State program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of This Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of applicable sections of the Uniform Guidance and the State Single Audit Implementation Act. Accordingly, this report is not suitable for any other purpose.

RSM US LLP

October 31, 2019

Cape Fear Public Transportation Authority

**Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2019**

Section 1. Summary of Independent Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None Reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None Reported

Type of auditor's report issued on compliance for major federal program: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes No

Identification of major federal program:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
20.507/20.526	Federal Transit Cluster

Dollar threshold used to distinguish between Type A and Type B Programs \$750,000

Auditee qualified as low-risk auditee? Yes No

(Continued)

Cape Fear Public Transportation Authority

**Schedule of Findings and Questioned Costs (Continued)
For the Fiscal Year Ended June 30, 2019**

Section I. Summary of Independent Auditor's Results (Continued)

State Awards

Internal control over major state program:

- Material weakness(es) identified? Yes ✓ No
- Significant deficiency(ies) identified? Yes ✓ None Reported

Type of auditor's report issued on compliance for major state program:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act.

 Yes ✓ No

Identification of major State program:

<u>Program Name</u>	<u>State #</u>
State Maintenance Assistance Program	DOT – 09

The State Match of CFDA 20.507 has been included in the list of major federal programs above.

Section II. Financial Statement Findings

None reported

Section III. Federal Award Findings and Questioned Costs

None reported

Section IV. State Award Findings and Questioned Costs

None reported



**Cape Fear Public Transportation Authority
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2019**

Findings (for the year ended June 30, 2018) which related to the audit of financial statements and audit of Federal and State awards.

No matters were reported.

Cape Fear Public Transportation Authority

**Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2019**

Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Grantor's Number	Expenditures		
			Federal	State	Local
Federal Awards					
Department of Transportation					
Federal Transit Cluster:					
Federal Transit Formula Grants (Urbanized Area Formula Program):					
Operating 5307	20.507	NC-2016-029	\$ 276,371	\$ -	\$ 431,112
Capital 5307	20.507	NC-2019-001	1,445,235	-	2,411,846
Capital 5307	20.507	NC-2019-001	601,604	-	150,401
Capital 5307	20.507	NC-2019-009	361,128	-	90,282
Capital 5307	20.507	NC-2018-017	233,354	-	58,339
Capital 5307	20.507	NC-2019-020	173,379	-	43,345
Capital 5307	20.507	NC-2017-015	2,043,216	-	510,804
Bus and Bus Facilities Formula & Discretionary Programs:					
Capital 5339	20.526	NC-2017-014	322,983	39,294	52,470
Capital 5339	20.526	NC-2018-020	59,068	-	14,767
Capital 5339	20.526	NC-2018-042	1,616,433	200,000	204,108
			<u>7,132,771</u>	<u>239,294</u>	<u>3,967,474</u>
Transit Services Programs Cluster:					
Enhanced Mobility of Seniors and Individuals with Disabilities:					
Capital 5310	20.513	NC-2016-015	2,216	-	784
Capital 5310	20.513	NC-2018-025	172,413	-	166,383
Capital 5310	20.513	NC-2017-020	20,066	-	6,756
Passed Through North Carolina Department of Transportation:					
Job Access And Reverse Commute Program					
Operating (5316)	20.516	18-39-052S	171,283	21,410	43,183
Operating (5316)	20.516	18-CT-052S	-	145,915	24,355
Operating (5316)	20.516	16-JA-052O	68,285	-	109,337
			<u>434,263</u>	<u>167,325</u>	<u>350,798</u>
Passed Through North Carolina Department of Transportation:					
Formula Grants for Rural Areas:					
Operating	20.509	19-CT-052A	154,184	9,633	31,062
Operating	20.509	19-CT-052C	-	241,722	35,334
			<u>154,184</u>	<u>251,355</u>	<u>66,396</u>
Passed Through City of Wilmington:					
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research (5303)					
	20.505	17-08-016	56,000	-	-
			<u>\$ 7,777,218</u>	<u>\$ 657,974</u>	<u>\$ 4,384,668</u>
State Awards					
North Carolina Department of Transportation					
State Maintenance Assistance Program	DOT-09	13-SM-090	\$ -	\$ 704,643	\$ -
Pass Through New Hanover County Rural Operating Assistance Program	DOT-22		-	41,599	4,622
			<u>\$ -</u>	<u>\$ 746,242</u>	<u>\$ 4,622</u>
Total Expenditures of Federal and State Awards			<u>\$ 7,777,218</u>	<u>\$ 1,404,216</u>	<u>\$ 4,389,290</u>

See Notes to Schedule of Expenditures of Federal and State Awards

Cape Fear Public Transportation Authority

Notes to the Schedule of Expenditures of Federal and State Awards For the Year Ended June 30, 2019

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal and state awards (the Schedule) includes the federal and state grant activity of Cape Fear Public Transportation Authority and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Authority.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. The Authority has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3. Subrecipient Expenditures

The Authority has no subrecipient expenditures.